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Recommendations of the Board of Auditors

United Nations Office for Project Services

Report on the implementation of the recommendations of the Board of Auditors for the biennium 2008-2009

Summary

The United Nations Office for Project Services (UNOPS) is pleased to respond to the recommendations made in the report of the Board of Auditors, A/65/5/Add.10. The United Nations Board of Auditors awarded UNOPS an unqualified audit opinion for the biennium ended 31 December 2009 which represents the achievement of a significant milestone. In prior biennia, UNOPS received modified audit opinions containing matters of emphasis and management has focussed its strategic initiatives on addressing audit concerns. The present document summarizes the current status relevant to the audit recommendations and the UNOPS management plan, including actions yet to be fully implemented.

Elements of a decision

The Executive Board may wish to note (a) that the United Nations Board of Auditors issued an unqualified audit opinion to UNOPS for the biennium ended 31 December 2009, (b) recognize the progress made by UNOPS in addressing 90 per cent of the audit recommendations raised in prior biennia, and (c) acknowledge the full replenishment of UNOPS operational reserves as at 31 December 2009.

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I. UNOPS summary response to the United Nations Board of Auditors

A. Background

1. As a self-financing entity of the United Nations system, UNOPS is developing and implementing business practices in line with recognized world-class standards of efficiency. As a service provider, UNOPS must be responsive to client needs, which can rapidly change depending on world events. UNOPS is focused on maintaining sound internal control systems and managing its diverse enterprise risks.

B. Current challenges and measures to address them

2. The United Nations Board of Auditors issued an unqualified audit opinion for the 2008-2009 biennium which recognizes the significant improvement compared to prior years. For the 2006-2007 biennium the Board of Auditors had issued a modified audit opinion, in which, among other concerns, there were three matters of emphasis, namely, the unreconciled inter-fund account mainly with the United Nations Development Programme (UNDP), deferred revenue and non-expendable assets. The financial situation of the organization has improved significantly over the course of the last three biennia. This has occurred despite the fact that in the last five years, in addition to a number of significant write-offs, UNOPS made exceptionally high bad-debt provisions, covering sizeable losses from prior periods, and made full accrual for all end-of-service liabilities, including after-service health insurance. As at December 2009, UNOPS reserves were fully replenished at $42.7 million, representing an addition of some $38.4 million since December 2005.

Issues to watch and risks to mitigate

3. The global financial crisis has impacted many of UNOPS partners and may subsequently affect demand for UNOPS services. This situation has been and will continue to be closely monitored. It should however be noted that UNOPS has the agility to quickly reduce its size, and thereby its costs, should demand and related revenue streams shrink.

4. UNOPS operational margins are thin as fees are kept low to provide maximum value to partners and ultimately to end-beneficiaries. UNOPS will continue to enhance its efficiency and expects to be able to further reduce its fees. (At the time of writing, the 2010 global average was approximately 5.4 per cent). Adequate systems are now in place to manage and adjust the costs of the organization to the revenue generated.

5. While the fully replenished operational reserves, as intended, cushion the financial consequences of enterprise risks faced by UNOPS, such as the ones described above, it should be noted that unforeseen catastrophic events, such as a high-value arbitration claim or major fraud, could potentially reverse the gains of the last five years. The nature of UNOPS business model makes the organization vulnerable to certain risks. At times in the past these were exacerbated by questionable business practices which could still potentially affect the financial position of UNOPS. To limit such risks, UNOPS has taken the following initiatives:

comprehensively revised the Financial Regulations and Rules; strengthened the Internal Audit Office, which uses risk-based methodology; established a new internal control framework emphasizing risk mitigation; launched a number of business policies, such as engagement acceptance; purchased several corporate insurance policies; issued an enterprise risk management policy; launched a risk maturity assessment focus group and presented the group's findings to the UNOPS Strategy and Audit Advisory Committee (SAAC). Despite the above measures, full protection against all business risks is not achievable, and it is partially for this reason that the Executive Board established the requirement of maintaining operational reserves at a certain level.

6. Tight project management is needed to reduce or eliminate instances of project over-expenditure and to reinforce the institutional systems that monitor programme delivery and financial performance. To that end, a series of policies and online tools have been launched, including financial and management dashboards, project initiation, monitoring, quality assurance and closure tools as well as workforce analytics. Quarterly quality assurance reviews of all projects are conducted to monitor project performance.

7. A number of measures to foster greater accountability and transparency have been put in place. A new, standardized pricing policy is in use, and UNOPS has stronger controls to manage project and administrative budgets. There are target agreements with each business unit and project manager. A refined "balanced scorecard" permits accurate tracking of unit performance. All managers are required to learn and practice the PRINCE2 project methodology.

8. The inter-fund balance with UNDP is fully reconciled as of 31 December 2009 at $20 million and represents a reduction of $14 million from the December 2007 position. Negotiations are presently under way at the Executive Director and Deputy Executive Director levels to achieve settlement. Both UNDP and UNOPS now reconcile inter-fund balances frequently, greatly reducing the likelihood of recurring inter-fund problems. The UNOPS-UNFPA inter-fund account is reconciled as at 31 December 2009 and was fully settled in April 2010.

9. As is the case with the inter-fund balance, deferred revenue is an inherited problem, with nearly all unreconciled amounts dating from between 1998 and 2005. Project closure phase II was launched in July 2010, and progress is being made to conclude the reconciliation exercise by December 2010.

10. UNOPS has made tangible improvements in its asset management systems and disclosed its property, plant and equipment based on Atlas asset module reports as at 31 December 2009. New, revamped policies and procedures were disseminated, and personnel were trained in the use of the Atlas asset module.

11. In early 2010, UNOPS instituted new procedures for the timely registration of vendors and to comply with strict vendor qualification and eligibility criteria. This work is done by a specialized bid evaluation team to ensure the separation of duties. UNOPS has issued its newly revised procurement manual to reinforce the four guiding principles of procurement: best value; transparency, fairness and integrity through competition; economy and effectiveness; and promoting the interests of UNOPS and its clients. UNOPS is disclosing all procurement plans in excess of $50,000 on the UNOPS website to further enhance transparency. Formal Vendor Review Committee meetings have been held routinely since March 2010 to monitor

the ethical performance of vendors and to mitigate any risks for UNOPS and its clients.

12. UNOPS has taken several initiatives to address the management of cash in field locations. In April 2010, the transition of all imprest cash accounts to Atlas bank accounts was completed successfully and the imprest cash account modality was retired. UNOPS promulgated its policy on the management of petty cash in September 2009, and monitoring and oversight functions are now performed at regional level to ensure compliance.

13. UNOPS has developed a computerized leave monitoring system which has been in use in all offices since May 2010.

14. Implementation of the International Public Sector Accounting Standards (IPSAS) by January 2012 represents a significant challenge for UNOPS, and perhaps more so than for other United Nations organizations. This is because of the self-financing status of UNOPS and the nature of its business model. UNOPS is collaborating with UNDP and UNFPA to prepare the shared Atlas system for the implementation of IPSAS. To address this, changes are being planned to the way UNOPS recognizes different revenue streams and records items of property, plant and equipment. UNOPS realizes that the implementation of IPSAS is not just a finance issue and is planning to prepare project managers for the changes. The roll-out and training of personnel in the use of the Atlas asset module (referred to in paragraph 10 above) is already a significant step towards preparing UNOPS for the implementation of IPSAS-compliant processes.

15. Following an unprecedented clean-up exercise spanning more than a decade, UNOPS has gained a reasonably accurate picture of its past liabilities. A considerable number of those have been dealt with, but a few remain to be settled either through negotiation or arbitration under the guidance of the United Nations Office of Legal Affairs. UNOPS disclosed in its 2008-2009 financial statements all known liabilities, including those of a contingent nature. While the risk of litigation can never be totally eliminated, numerous steps have been taken in the 2008-2009 biennium to reduce its potential impact.

II. UNOPS responses to the main recommendations of the United Nations Board of Auditors

16. The Board of Auditors has issued 40 main recommendations classified as high priority and 19 recommendations classified as medium priority. UNOPS management has implemented 11 of the 59 recommendations and is presenting specific responses on pages 7 to 27 of this report.

III. Conclusion

17. UNOPS is pleased to respond to the report of the Board of Auditors for the biennium ended 31 December 2009. Based on the developments and improvements made during the 2008-2009 biennium, and bearing in mind the high degree of dedication and commitment from all personnel, UNOPS is confident that the remaining issues highlighted in the report of the Board of Auditors will be addressed in a satisfactory manner in the 2010-2011 biennium.

Annex 1

Implementation of the recommendations contained in the report of the Board of Auditors for the financial period ended 31 December 2009

Table 1
Status of implementation of main recommendations

Department responsible	*Number of recommendations*	*Not accepted*	*Implemented or closure requested*	*In progress*	*Target date set*	*No target date*
Finance	10	—	1	9	9	—
Project Management	18	—	—	18	18	—
Administrative Services	6	—	1	5	5	—
Human Resources	3	—	1	2	2	—
Information Technology	2	—	1	1	1	—
Executive Office	1	—	—	1	1	—
Total	**40**	**—**	**4**	**36**	**36**	

Table 2
Status of implementation of all recommendations

Department responsible	*Number of recommendations*	*Not accepted*	*Implemented or closure requested*	*In progress*	*Target date set*	*No target date*
Finance	17	—	3	14	14	—
Project Management	23	—	—	23	23	—
Procurement	1	—	1	—	—	—
Administrative Services	9	—	4	5	5	—
Human Resources	5	—	2	3	3	—
Information Technology	3	—	1	2	2	—
Executive Office	1		—	1	1	
Total	**59**	**—**	**11**	**48**	**48**	

In paragraph 45, UNOPS agreed with the Board's reiterated prior recommendation to review its accounting policies regarding revenue recognition, as part of its preparation for IPSAS implementation.

1. UNOPS has established an IPSAS project board to drive the organization-wide transition from UNSAS to IPSAS by January 2012. UNOPS is presently reviewing and drafting its revenue recognition policy for project revenue. The policy will be based on the percentage completion method.

Department responsible: Finance
Status: In progress
Priority: High
Target date: December 2010

In paragraph 48, UNOPS agreed with the Board's recommendation to establish procedures to review the reasonableness of the interest income received from the UNDP Treasury.

2. UNOPS has conceptualized a methodology to review the interest received from the UNDP Treasury for reasonableness on a quarterly basis.

Department responsible: Finance
Status: In progress
Priority: High
Target date: December 2010

In paragraph 51, UNOPS agreed with the Board's recommendation to regularly monitor administrative budgets on a line-by-line basis to ensure that budgets are not exceeded.

3. UNOPS follows a rigorous half-yearly budget review process of administrative expenditures throughout its country offices, regional offices and headquarters.

Department responsible: Finance
Status: In progress
Priority: Medium
Target date: December 2010

In paragraph 57, UNOPS agreed with the Board's recommendation to address instances of obligations raised that are not supported with valid and appropriate obligating documents.

4. UNOPS retired the imprest modality in April 2010, and further occurrences of the instances noted by the Board have been prevented. UNOPS monitors purchase orders on its financial dashboard, and random purchase orders are selected for review at headquarters. In addition, quarterly certification of obligating documents is requested from regional directors.

Department responsible: Finance
Status: Completed
Priority: High
Target date: Fully implemented

In paragraph 64, UNOPS agreed with the Board's recommendation to implement controls and reports to accurately differentiate between project receivable and payable balances and project balances that represent over-expenditure.

5. UNOPS has implemented a quarterly project quality assurance review process for all projects. Any project over-expenditure is highlighted for action through the quality assurance process. Furthermore, reports will be prepared for the next audit to clearly differentiate project receivable and project payable balances.

Department responsible: Finance
Status: In progress
Priority: High
Target date: December 2010 & April 2011

In paragraph 65, UNOPS agreed with the Board's further recommendation to improve its system controls to prevent and detect any classification errors in financial reporting in a timely manner.

6. UNOPS will implement monitoring and review controls to detect misclassifications in a timely manner and prior to financial reporting.

Department responsible: Finance
Status: In Progress
Priority: High
Target date: December 2010

In paragraph 69, UNOPS agreed with the Board's recommendation to account for the funds received in advance from donors as a liability upon receipt of the funds and not as a credit entry within the accounts receivable accounts.

7. UNOPS will implement an annual review process to identify credit balances in accounts receivable and to reclassify these as accounts payable.

Department responsible: Finance
Status: In Progress
Priority: Medium
Target date: December 2010

In paragraph 72, UNOPS agreed with the Board's recommendation to (a) follow-up and clear the credit balances in the accounts receivable, and (b) reclassify credit balances in accounts receivable and account for them as payable.

8. UNOPS will implement an annual review process to identify credit balances in accounts receivable and to reclassify these as accounts payable.

Department responsible: Finance
Status: In Progress
Priority: Medium
Target date: December 2010

In paragraph 83, UNOPS agreed with the Board's recommendation to resolve the disputed inter-fund differences in its accounts with UNDP.

9. Resolution of the historic UNOPS-UNDP inter-fund differences is sought and is currently under discussion at the Executive Director level. These negotiations are expected to be finalized by the end of 2010.

Department responsible: Finance
Status: In progress
Priority: High
Target date: December 2010

In paragraph 86, UNOPS agreed with the Board's recommendation to (a) follow-up the rejected project expenditures and make appropriate accounting entries, (b) improve the validation of information captured on its system to ensure that the incidents of rejections are minimized, and (c) consider alternate arrangements with UNDP to further improve the acceptance rate.

10. UNOPS continues to submit project expenditures to UNDP on a quarterly basis. In late 2009, UNOPS developed a project expenditure validation system to detect possible rejections and correction of data prior to submission to UNDP. Overall, the validation process has reduced the rate of rejections to below 1 per cent for the 2009 year. In addition, UNOPS is also in the process of implementing new controls to prevent incorrect posting of project expenditures to the chart of accounts.

Department responsible: Finance
Status: In Progress
Priority: High
Target date: December 2010

In paragraph 91, UNOPS agreed with the Board's recommendation to (a) continue to follow-up on the unreconciled inter-fund differences in its accounts, and (b) engage with the relevant United Nations agencies in order to resolve the old inter-fund differences.

11. As part of the UNOPS project closure phase 2 initiative, meetings will be set up with the relevant UN agencies to negotiate a resolution of the old inter-fund differences.

Department responsible: Finance
Status: In Progress
Priority: High
Target date: March 2011

In paragraph 111, UNOPS agreed with the Board's recommendation to consider a revision of its policy for the valuation of the annual leave liability in its implementation of International Public Sector Accounting Standards.

12. UNOPS selection of policies for the valuation of the annual leave liability is based on decisions made for the entire United Nations system. At the United Nations IPSAS task force meeting, which was held in late August through early September 2010, further guidance on the accounting and disclosure of all end-of-service-liabilities in compliance with IPSAS was requested.

Department responsible: Finance
Status: In progress
Priority: High
Target date: December 2010

In paragraph 116, UNOPS agreed with the Board's recommendation to take appropriate measures to ensure the validity, accuracy and completeness of the data used in the computation of all post-retirement and end-of-service liabilities in future financial periods by ensuring that the information pertains to the correct reporting period.

13. UNOPS selection of policies for the valuation of all end-of-service liabilities is based on decisions made for the entire United Nations system. An expected outcome of the aforementioned UN IPSAS task force meeting has been further guidance on the accounting and disclosure of all end-of-service-liabilities in compliance with IPSAS.

Department responsible: Finance
Status: In progress
Priority: Medium
Target date: December 2010

In paragraph 122, UNOPS agreed with the Board's recommendation to develop a funding plan for the end-of-service liabilities.

14. All UNOPS end-of-service liabilities as at 31 December 2009 are fully funded as mentioned in the notes to the financial statements for the 2008-2009 biennium. In addition, the funds set aside are also invested appropriately so as to enable UNOPS to fully meet its obligations with regard to end-of-service liability benefits as and when they arise. A funding plan will, however, be implemented based on the wider IPSAS-related end-of-service liabilities.

Department responsible: Finance
Status: In Progress
Priority: High
Target date: December 2011

In paragraph 129, UNOPS agreed with the Board's recommendation to (a) comply with the imprest account closure guidelines to ensure that all old modality imprest accounts are closed and replaced with Atlas bank accounts, (b) address all unreconciled items in the imprest accounts, (c) ensure that long outstanding reconciling items are followed up and cleared in a timely manner, and (d) amend Note 7 of the 2008-2009 financial statements to reflect the correct number of imprest accounts operational as at the end of the 2008-2009 biennium.

15. By April 2010, UNOPS accomplished the transition of all imprest accounts to Atlas bank accounts. Full reconciliation of all imprest transactions has been completed and the imprest modality has been successfully retired. Note 7 was appropriately amended to clarify closure subsequent to year end.

Department responsible: Finance
Status: Completed
Priority: Medium
Target date: Fully implemented

In paragraph 134, UNOPS agreed with the Board's recommendation to obtain appropriate approval for write-off of losses in accordance with rule 123.12 of the UNOPS Financial Regulations and Rules.

16. As part of 2009 biennium closure, UNOPS obtained authorizations from the Executive Director for all write-offs done during the biennium.

Department responsible: Finance
Status: Completed
Priority: Medium
Target date: Fully implemented

In paragraph 147, UNOPS Africa Regional Office agreed with the Board's recommendation to (a) develop a policy on the management of petty cash that

addresses the weakness identified in the management of petty cash, (b) investigate and follow-up on the discrepancies identified, and (c) perform surprise petty cash counts by a senior official on an ad-hoc basis and reconcile the cash on hand to the petty cash records.

17. In September 2009, UNOPS promulgated a petty cash policy with explicit guidance on the management of cash in field locations. The Africa Regional Office is committed to issue a follow up instruction and reminder on implementation of the petty cash policy.

Department responsible: Finance
Status: In progress
Priority: Medium
Target date: October 2010

In paragraph 160, UNOPS agreed with the Board's recommendation to further review budget-setting methods and controls to ensure that budgets agreed with clients are more in line with the project delivery.

18. UNOPS will proceed to issue an instruction to project managers, so that budgets agreed with clients are more in line with expected delivery.

Department responsible: Project Management
Status: In progress
Priority: High
Target date: December 2010

In paragraph 161, UNOPS Africa Regional Office agreed with the Board's recommendation to improve monitoring controls over the project delivery performance of operations centres and take steps against operations centres that have under-delivered.

19. UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses the issues of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: In progress
Priority: High
Target date: December 2010

In paragraph 172, UNOPS agreed with the Board's recommendation to establish a short time frame to address the backlog of projects needing closure.

20. Phase 2 of UNOPS project closure exercise has been launched. As a result, rapid financial closure of operationally closed projects is expected to be completed.

Department responsible: Project Management
Status: In Progress
Priority: High
Target date: December 2010

In paragraph 173, UNOPS agreed with the Board's recommendation to reconsider the appropriateness of its 18-month project closure timetable.

21. UNOPS will review its project closure timetable as part of the next revision of the UNOPS Financial Regulations and Rules.

Department responsible: Finance
Status: In progress
Priority: Medium
Target date: December 2011

In paragraph 178, UNOPS agreed with the Board's reiterated prior recommendation that UNOPS Peru Operations Centre analyse all currently listed projects and identify projects that need to be closed.

22. Phase 2 of UNOPS project closure exercise has been launched. As a result, rapid financial closure of operationally closed projects is expected to be completed.

Department responsible: Project management
Status: In Progress
Priority: High
Target date: December 2010

In paragraph 179, UNOPS further agreed with the Board's reiterated prior recommendation that UNOPS Peru Operations Centre (a) ensure that the status of projects are regularly monitored and accurately reflected in Atlas, and (b) complete the project closure exercise.

23. UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses the issues of data quality, delivery, project time, cost and quality. Phase 2 of UNOPS project closure exercise has been launched. As a result, rapid financial closure of operationally closed projects is expected to be completed.

Department responsible: Project Management
Status: In progress
Priority: High
Target date: December 2010

In paragraph 185, UNOPS Africa Regional Office and Senegal Operations Centre agreed with the Board's reiterated prior recommendation to take further steps to (a) ensure that the status of projects are regularly monitored and accurately reflected in Atlas, and (b) urgently complete the project closure exercise.

24. Phase 2 of UNOPS project closure exercise has been launched. As a result, rapid financial closure of operationally closed projects is expected to be completed. UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses the issues of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: In progress
Priority: High
Target date: December 2010

In paragraph 186, UNOPS Africa Regional Office further agreed with the Board's recommendation to maintain project files in support of financially closed projects.

25. Phase 2 of UNOPS project closure exercise has been launched. As a result, rapid financial closure of operationally closed projects is expected to be completed.

Department responsible: Project Management
Status: In progress
Priority: Medium
Target date: December 2010

In paragraph 194, UNOPS agreed with the Board's reiterated prior recommendation to monitor its project-level system controls and project budgets on a regular basis to ensure that budgets are not exceeded.

26. UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses the issues of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: In progress
Priority: High
Target date: December 2010

In paragraph 199, UNOPS agreed with the Board's recommendation to (a) review the progress of each project on a regular basis and as part of project oversight and monitoring activities; and (b) improve its procedures to manage the re-phasing or extension of projects so that the changes are made and recorded in a timely manner and so that the correct project information is reflected in Atlas.

27. UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses the issues of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: In progress
Priority: High
Target date: December 2010

In paragraph 206, UNOPS agreed with the Board's recommendation to (a) consult with the client prior to changing budget information, (b) ensure that historical budget information is not amended in Atlas, and (c) review budget-setting methods and controls to ensure that the budgets agreed with clients are more in line with expected delivery.

28. UNOPS will proceed to issue an instruction to project managers so that budgets agreed with clients are more in line with expected delivery.

Department responsible: Project Management
Status: In progress
Priority: High
Target date: December 2010

In paragraph 212, UNOPS Africa Regional Office agreed with the Board's recommendation to ensure that it defines and implements correct procedures with regard to project management.

29. In addition to the quarterly online assurance process, the Africa Regional Office will implement the online Implementation Analysis Note. This will allow for enhanced project management from the project initiation stage.

Department responsible: Project Management
Status: In Progress
Priority: Medium
Target date: December 2010

In paragraph 220, UNOPS Africa Regional Office agreed with the Board's recommendation to (a) take urgent steps to implement procedures to enable it to carry out its oversight function as regards the operations centres, and to maintain evidence of such monitoring activities; and (b) maintain memorandums of understanding or memorandums of agreement in the project files.

30. In addition to the quarterly online assurance process, UNOPS Africa Regional Office will implement the online Implementation Analysis Note (IAN). This will allow for enhanced project management from the project initiation stage.

Department responsible: Project Management
Status: In Progress
Priority: High
Target date: December 2010

In paragraph 221, UNOPS Africa Regional Office further agreed with the Board's recommendation to review its approach to project management and ensure, where possible, that a uniform system is implemented within the regional structure.

31. In addition to the quarterly online assurance process, the Africa Regional Office will implement the online Implementation Analysis Note (IAN). This will allow for enhanced project management from the project initiation stage.

Department responsible: Project Management
Status: In Progress
Priority: High
Target date: December 2010

In paragraph 227, UNOPS Africa Regional Office agreed with the Board's recommendation to investigate the differences between the 2008 Atlas project status report and the Atlas project expenditure report, and to make corrections accordingly.

32. This recommendation will be addressed through the UNOPS phase 2 project closure exercise.

Department responsible: Project Management
Status: In progress

Priority: Medium
Target date: December 2010

In paragraph 233, UNOPS agreed with the Board's recommendation to ensure that UNOPS Senegal Operations Centre: (a) implement processes to ensure that its projects are implemented in a timely manner, (b) improve its project implementation controls to ensure that projects are charged for productive time only, and (c) review the causes of the delay in the implementation of project 60168.

33. The Africa Regional Office is considering options regarding measures to be implemented to record only chargeable hours for advisory services rendered. Recommendations (a) and (c) will be addressed through the quarterly online assurance process.

Department responsible: Project Management
Status: In Progress
Priority: High
Target date: December 2010

In paragraph 237, UNOPS agreed with the Board's recommendation that UNOPS Senegal Operations Centre: (a) address the leadership vacancy on project 30985, (b) ensure that it maintains appropriate supporting documents for all procurement, and (c) ensure that adequate oversight procedures are in place at all times to oversee the monitoring of project activities.

34. UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses the issues of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: In progress
Priority: High
Target date: December 2010

In paragraph 244, UNOPS Senegal Operations Centre agreed with the Board's recommendation to implement controls or guidelines to ensure that (a) the projects are implemented in a timely manner, (b) vacancies are filled in a timely manner, and (c) the Centre is able to carry out its oversight function as regards the projects and maintain evidence that such monitoring activities were performed.

35. UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses the issues of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: In progress
Priority: High
Target date: December 2010

In paragraph 245, UNOPS Senegal Operations Centre further agreed with the Board's recommendation to establish procedures to monitor deliverables specified in the project agreements.

36. UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses the issues of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: In progress
Priority: High
Target date: December 2010

In paragraph 250, UNOPS agreed with the Board's recommendation that UNOPS Senegal Operations Centre in consultation with UNOPS Africa Regional Office maintain and update risk and quality logs for all projects in a timely manner and adequately address issues associated with new areas of business.

37. In addition to the quarterly online assurance process, the Africa Regional Office will implement the online Implementation Analysis Note (IAN). This will allows for enhanced project management from the project initiation stage.

Department responsible: Project Management
Status: In Progress
Priority: High
Target date: December 2010

In paragraph 255, UNOPS Senegal Operations Centre agreed with the Board's recommendation that it, in consultation with UNOPS Africa Regional Office, the Centre should (a) review the progress of each project on a regular basis and as part of project oversight and monitoring activities, and (b) implement procedures to avoid the late approval of re-phasing or extension of projects.

38. UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses the issues of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: In progress
Priority: High
Target date: December 2010

In paragraph 258, UNOPS Africa Regional Office further agreed with the Board's recommendation to implement procedures to ensure effective oversight and monitoring of all project activities to ensure that operations centres within the region are performing and delivering according to targets and are not overspending on approved budgets.

39. UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses the issues of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: In progress
Priority: High
Target date: December 2010

In paragraph 265, UNOPS agreed with the Board's recommendation to (a) take steps to ensure that all projects are assigned or allocated to project managers in Atlas; and (b) implement controls or guidelines to ensure that projects are handed over in a timely manner or as soon as projects are re-allocated or reassigned.

40. In April 2010 UNOPS assigned project managers to all projects in the Atlas system. Further, UNOPS has issued a project handover process instruction with a standardized format. In addition, the project tracking tool allows global monitoring by project managers, and UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses the issues of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: In progress
Priority: Medium
Target date: December 2010

In paragraph 274, UNOPS agreed with the Board's recommendation to (a) address the incompatible functions and the lead time involved in the process of registering vendors, and (b) ensure that the vendor review committee performs its functions and duties as outlined in administrative instruction AI/GSC/2008/01.

41. UNOPS implemented a new procedure to expedite registration of vendors, and in February 2010 the temporary backlog issue was resolved. The first vendor review committee meeting took place in March 2010.

Department responsible: Procurement
Status: Completed
Priority: Medium
Target date: Fully implemented

In paragraph 283, UNOPS agreed with the Board's reiterated prior recommendation to (a) roll out the asset management module in Atlas to all offices, and (b) ensure that all relevant staff receive appropriate training prior to using the module.

42. The asset module has been implemented and is fully functional in all UNOPS offices. UNOPS has trained personnel in four regions, and hands-on training in the fifth region is scheduled to be completed by December 2010.

Department responsible: Administrative Services
Status: In progress
Priority: High
Target date: December 2010

In paragraph 292, UNOPS agreed with the Board's reiterated prior recommendation to investigate the assets listed as faulty/redundant.

43. UNOPS has received certification of faulty assets from all offices. In April 2010 UNOPS issued guidance on dealing with faulty/redundant assets.

Department responsible: Administrative Services
Status: Completed
Priority: High
Target date: Fully implemented

In paragraph 293, UNOPS further agreed with the Board's recommendation to (a) address the discrepancies noted in its asset records and financial statements for the 2008/2009 biennium, and (b) review all asset registers to ensure that other similar discrepancies in the asset registers are addressed.

44. Part (a) has been implemented, UNOPS having correctly reflected the value of assets in note 16 in the financial statements. Part (b) is subject to periodic reviews, with UNOPS conducting annual reviews of its asset registers and physical verifying that the value of assets is correctly stated.

Department responsible: Administrative Services
Status: In progress
Priority: High
Target date: December 2010

In paragraph 295, UNOPS agreed with the Board's recommendation to (a) follow-up with the Kenya Operations Centre to address assets that were assigned the same asset tag number, and (b) implement procedures to detect all discrepancies in asset registers submitted to headquarters.

45. UNOPS has implemented an asset duplicate tool to detect duplicate asset tag numbers, and has addressed the issue of duplicate asset tag numbers at the Kenya Operations Centre.

Department responsible: Administrative Services
Status: Completed
Priority: Medium
Target date: Fully implemented

In paragraph 300, UNOPS agreed with the Board's recommendation that UNOPS Africa Regional Office (a) perform asset inventory counts and asset reconciliations on a regular basis, and (b) maintain proper records relating to asset counts performed.

46. Certified asset verification sheets were obtained by UNOPS headquarters in April 2010 for all regional and field locations.

Department responsible: Administrative Services
Status: Completed
Priority: Medium
Target date: Fully implemented

In paragraph 304, UNOPS Peru Operations Centre agreed with the Board's recommendation to (a) strengthen controls relating to the certification of assets so as to prevent and detect errors in its asset register, and (b) make the necessary adjustments to the manual fixed asset register to ensure that it only includes assets that belong to UNOPS.

47. UNOPS has made all necessary adjustments to the manual asset register.

Department responsible: Administrative Services
Status: Completed
Priority: Medium
Target date: Fully implemented

In paragraph 308, UNOPS agreed with the Board's recommendation to (a) perform asset counts of project assets on a regular basis, and (b) conduct an exercise to tag all project assets and update the project asset registers accordingly.

48. Policies and procedures on project assets will be developed as part of UNOPS IPSAS implementation plan. UNOPS does intend, however, to tag and monitor all project assets by March 2011.

Department responsible: Administrative Services
Status: In progress
Priority: High
Target date: December 2011

In paragraph 312, UNOPS agreed with the Board's recommendation to (a) implement controls to enable project managers to better control assets purchased with project funds, (b) investigate the circumstances around the use of project funds to purchase these fixtures, and (c) where applicable, return the funds to the project and reverse the revenue recognized on the transactions.

49. Policies and procedures relating to project assets will be developed as part of UNOPS IPSAS implementation plan. UNOPS does intend, however, to tag and monitor all project assets by March 2011.

Department responsible: Administrative Services
Status: In progress
Priority: High
Target date: December 2011

In paragraph 324, UNOPS agreed with the Board recommendation to (a) reconsider the financial impact of non-capitalized assets in determining the threshold for the inclusion of non-expendable property in the financial statements, as well as the implications for the asset certification process, and (b) consider certification of assets that are not subject to certification.

50. UNOPS will reconsider the threshold values as part of its IPSAS implementation plan. All attractive assets with a value below $2,500 are subject, however, to tagging and are being recorded in the asset registers. Such assets are thus regarded as "non- capital" assets.

Department responsible: Administrative Services
Status: In progress
Priority: High
Target date: December 2011

In paragraph 329, UNOPS agreed with the Board's recommendation to (a) continue to monitor procedures and controls to ensure that all staff members undergo performance results assessments, and (b) ensure that most such assessments are completed within the specified timelines.

51. UNOPS is implementing initiatives to improve the monitoring of the performance appraisal process.

Department responsible: Human Resources
Status: In progress
Priority: High
Target date: April 2011

In paragraph 333, UNOPS agreed with the Board's recommendation to develop a computerized system with "program controls" that allows all UNOPS offices to accurately capture and monitor leave.

52. UNOPS has implemented a corporate leave monitoring system which covers all its offices.

Department responsible: Human Resources
Status: Completed
Priority: Medium
Target date: Fully implemented

In paragraph 338, UNOPS agreed with the Board's recommendation to monitor the gender distribution and consider measures to achieve the target of a 50/50 gender balance.

53. UNOPS continues to regard gender distribution as of the utmost importance and will consider measures to improve the gender balance targets.

Department responsible: Human Resources
Status: In progress
Priority: Medium
Target date: December 2011

In paragraph 347, UNOPS agreed with the Board's recommendation to (a) comply with the individual contractor agreement guidelines with regard to retroactive individual contractor agreements, (b) ensure proper planning to avoid retroactive individual contractor agreements, and (c) implement procedures to ensure that individual contractor agreements, payment certifications and other documents are dated when signed by the relevant approving officer.

54. UNOPS has taken steps to ensure that instances of retroactive signatures will not recur. In addition, a comprehensive new policy on individual contractor agreements was introduced in May 2010, and new tools have been provided to facilitate processes and reduce the incidence of human error.

Department responsible: Human Resources
Status: Completed
Priority: High
Target date: Fully implemented

In paragraph 351, UNOPS agreed with the Board's recommendation to comply with the individual contractor agreements guidelines with regard to release of final payments to individual contractors.

55. UNOPS will implement a standard operating procedure requiring performance evaluation reports to be submitted with final payment.

Department responsible: Human Resources
Status: In progress
Priority: High
Target date: December 2010

In paragraph 356, UNOPS agreed with the Board's recommendation to implement a succession plan to reduce disruption to the business in the event of the loss of key individuals in the information technology department.

56. UNOPS has noted the recommendation and a work strategy has been implemented.

Department responsible: Information Technology
Status: Completed
Priority: High
Target date: Fully implemented

In paragraph 359, UNOPS agreed with the Board's recommendation to implement a formal disaster recovery plan and business continuity plan that encompasses all types of disastrous events that would impact both information systems processes and end-user functions.

57. UNOPS is in the process of developing a disaster recovery and business continuity plan. In April 2010, an organizational directive on a Strategic Risk Management and Planning Framework, along with an administrative instruction on a Business Continuity and Disaster Recovery Framework, were issued to enable regional offices and operations centres to formulate their own location-specific detailed plans. Currently UNOPS is conducting a business impact analysis to fine-tune the business continuity plan.

Department responsible: Information Technology
Status: In progress
Priority: High
Target date: December 2010

In paragraph 362, UNOPS agreed with the Board's recommendation to (a) consider enforcing the current setting on the Active Directory, as this would ensure that users do not intentionally choose weak authentication credentials; and (b) consider weighing the benefits of a stronger and more secure authentication process against the additional work that may result from this.

58. UNOPS is of the view that the current policy provides adequate overall security for the organization, given its project nature and relatively high turnover of personnel. To further improve password strength, UNOPS is engaged with other United Nations agencies to establish better training materials and systems for United Nations staff, thereby helping them to better understand information and communications technology security, and better protect sensitive information.

Department responsible: Information Technology
Status: In progress
Priority: Medium
Target date: December 2010

In paragraph 375, UNOPS agreed with the Board's recommendation to consider the gaps identified and take further steps in its process of strengthening the governance and oversight arrangements.

59. UNOPS has considered the gaps identified and has concluded that the members of Strategy and Audit Advisory Committee constitute an independent advisory body with significant and relevant financial or internal oversight experience. The members of the Committee as well as its terms of reference have been approved by the Executive Board, the governing body of UNOPS. In 2010, UNOPS will, however, conduct a review of the Strategy and Audit Advisory Committee's terms of reference, and all relevant stakeholders will be consulted.

Department responsible: Executive Office
Status: In progress
Priority: High
Target date: December 2010

Annex 2

Comments on the status of implementation of the recommendations of the Board of Auditors for the biennium ended 31 December 2007

In Annex 1 to its report for the financial period ended 31 December 2009, the Board provided a summary of the status of implementation of recommendations for previous financial periods. Of the 95 recommendations noted from prior periods, 67 recommendations were implemented, 18 recommendations were overtaken by events, and 10 recommendations are under implementation. Information is provided below on the 10 recommendations under implementation listed as outstanding from prior periods. These are shown as "in progress"; none as "not implemented". The information is set out in the order in which the recommendations are presented in Annex 1.

The following table summarizes the overall situation.

Table 3
Status of implementation of recommendations from prior periods considered not fully implemented in Annex 1 to the report of the Board of Auditors for the financial period ended 31 December 2009

Department responsible	*Number of recommendations*	*Not accepted*	*Implemented or closure requested*	*In progress*	*Target date set*	*No target date*
Finance	3	—	—	3	3	—
Human Resources	1	—	—	1	1	—
Administrative Services	4	—	2	2	2	—
Project Management	2	—	—	2	2	—
Total	**10**	—	**2**	**8**	**8**	

Review accounting policies regarding revenue recognition.

1. January 2012 is the UNOPS target date for the implementation of IPSAS. Drafting of UNOPS revenue recognition accounting policy is scheduled to be completed by December 2010.

Department responsible: Finance
Status: In progress
Priority: High
Target date: December 2010

Reconcile inter-fund transactions and balances with UNDP on a regular basis.

2. Resolution of the historic UNOPS-UNDP inter-fund differences is sought and is currently under discussion at the Executive Director level.

Department responsible: Finance
Status: In progress
Priority: High
Target date: December 2010

Investigate assets listed as faulty/redundant.

3. UNOPS has received certification of faulty assets from all offices. In April 2010 UNOPS issued guidance on dealing with faulty/redundant assets.

Department responsible: Administrative Services
Status: Completed
Priority: High
Target date: Fully implemented

Ensure assets listed as faulty/redundant are removed in a timely fashion from the fixed asset register, and include the assets written-off in the schedule of assets written-off.

4. UNOPS has received certification of faulty assets from all offices. In April 2010 UNOPS issued guidance on dealing with faulty/redundant assets.

Department responsible: Administrative Services
Status: Completed
Priority: High
Target date: Fully implemented

Roll out the asset management module in Atlas and ensure that staff receive training.

5. The asset module has been implemented and is fully functional in all UNOPS offices. UNOPS has trained personnel in four regions. Hands-on training in the fifth region is scheduled to be completed by December 2010.

Department responsible: Administrative Services
Status: In progress
Priority: High
Target date: December 2010

Update the asset records in Atlas.

6. The asset module has been implemented and is fully functional in all UNOPS offices. UNOPS has trained personnel in four regions and a hands-on training in the fifth region is scheduled to be completed by December 2010.

Department responsible: Administrative Services
Status: In progress
Priority: High
Target date: December 2010

Performance reviews are completed within the specified time frames.

7. UNOPS is implementing initiatives to improve the monitoring of the performance appraisal process.

Department responsible: Human Resources
Status: In progress
Priority: Medium
Target date: April 2011

Urgently complete the project closure exercise.

8. Phase 2 of the UNOPS project closure exercise has been launched. Through it rapid financial closure of operationally closed projects is expected to be completed.

Department responsible: Finance
Status: In progress
Priority: Medium
Target date: December 2010

Project overspending and project budgets are monitored on a regular basis.

9. UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses the issues of data quality, delivery, project time, cost and quality.

Department responsible: Project Management
Status: In progress
Priority: High
Target date: December 2010

The Asia and the Pacific Regional Office is to monitor projects on a regular basis, enhancing supervision of project managers whose projects reflect a pattern of low delivery, and so forth.

10. UNOPS has improved controls by implementing a quarterly online assurance process for every project in UNOPS. This process addresses the issues of data quality, delivery, project time, cost and quality.

Department responsible: Asia and the Pacific Regional Office
Status: In progress
Priority: Medium
Target date: December 2010